

Message Text

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SUBJECT: GENERAL TRADING COMPANIES AND KOREA'S FOREIGN TRADE

REFS: A) STATE 038837; B) SEOUL 0168

1. THE FIGURES FORWARDED REF B WERE CORRECT BUT SLIGHTLY INCOMPLETE. THE EXPORT GOAL FOR 1978 IS \$12.5 BILLION OF WHICH \$4.7 BILLION HAD BEEN TARGETED BY THE ELEVEN GENERAL TRADING COMPANIES (GTC) DESIGNATED IN 1977. HOWEVER, TWO NEW ADDITIONAL GTC'S WERE NAMED IN 1978, BRINGING THE TOTAL OF GTC'S TO THIRTEEN. THE NEW GTC'S ARE HYUNDAI, FORMERLY HYUNDAY SANGSA ESTABLISHED IN DECEMBER 1976 AS THE TRADING BRANCH OF THE HYUNDAI GROUP (SEE A-108) AND YUL SAN INDUSTRIES, A RAPIDLY GROWING CONGLOMERATE WHICH RANKED 12TH IN EXPORTS IN 1977 WITH \$165.7 MILLION.

2. THE ADDITION OF THESE TWO NEW GTC'S BRINGS THE TOTAL TARGETED EXPORT GOAL OF THESE ORGANIZATIONS TO \$5,643 MILLION OR 45 PERCENT OF THE \$12.5 BILLION GOAL. WHILE IT HAD BEEN RUMORED EARLY IN THE YEAR THAT HYUNDAI AND YUL SAN MIGHT BECOME GTC'S, OFFICIAL ANNOUNCEMENT BY MINISTRY OF COMMERCE & INDUSTRY WAS NOT MAKE UNTIL FEBRUARY 9.

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3. PRESENT REQUIREMENTS FOR A GENERAL TRADING COMPANY ARE: A) ANNUAL EXPORTS IN THE PAST YEAR OF MORE THAN \$150 MILLION, B) PUBLIC CORPORATION, C) NUMBER OF EXPORT ITEMS OF WHICH EXPORTS OF EACH ARE MORE THAN ONE MILLION DOLLARS MUST EXCEED FIVE AND D) HAVE MORE THAN 20 OVERSEAS BRANCH OFFICES.

4. 1978 TRADE GOALS OF THE 13 GTC'S ARE: (IN \$ MILLION)

	EXPORT	IMPORT
SAMSUNG	700	60
SSANGYONG	350	55
DAEWOO	1,000	63
ICC	500	140-150
HANIL SYNTHETIC FIBER	400	UP
HYOSUNG	400	48
BANDO TRADING	350	80
SUNKYONG	500	71
SAM WHA	350	50
KUMHO	300	25
KOREA TRADING	33	33
HYUNDAI	360	35
YULSAN	400	150

5. WHILE EXPORTS OF GTC'S OFTEN, BUT NOT ALWAYS, CORRESPOND TO THE EXPORTS OF THE CONGLOMERATE GROUP AS A WHOLE (AS WELL AS INCLUDING EXPORTS OF SMALL INDEPENDENT MANUFACTURERS), THE IMPORTS BY GTC'S ARE PRINCIPALLY IMPORTS FOR DOMESTIC USE AND SALES. RAW MATERIALS AND A LARGE PROPORTION OF THE CAPITAL EQUIPMENT FOR A COMPANY WITHIN A CONGLOMERATE IS IMPORTED BY THAT FIRM RATHER THAN BY THE CONGLOMERATE'S GENERAL TRADING COMPANY. FOR EXAMPLE, CHEIL SUGAR, AN ENTITY

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WITHIN THE SAMSUNG GROUP, IMPORTS ON ITS OWN RAW SUGAR AND CAPITAL EQUIPMENT. THERE HAS BEEN NO INCENTIVE FOR A GROUP TO CONSOLIDATE IMPORTS UNDER ONE ROOF AS FOR EXPORTS, SINCE NO IMPORT TOWERS OR FINANCIAL REWARDS ARE GIVEN FOR IMPORTS.

6. AS IMPORT LIBERALIZATION PROCEEDS, GROUPS MAY FIND IT BECOMES MORE EFFICIENT TO CONSOLIDATE THEIR IMPORTS WITHIN THEIR GTC. WE SHALL ENDEAVOR TO FOLLOW THIS DEVELOPMENT AND THE IMPORT ACTIVITIES OF THE VARIOUS MEMBERS OF A GROUP IN FUTURE REPORTS.

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